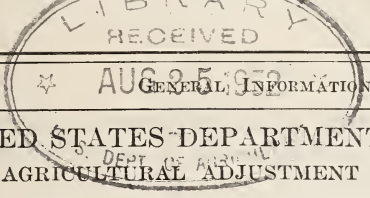


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A. A. A.

THE A. A. A. WHEAT PROGRAM IN OPERATION

[This leaflet supplements The Wheat Problem (G-93), published in January 1939, which described the wheat problem and provisions of the A. A. A. program available to wheat farmers for attacking the problem]

Wheat farmers in 1939 used the new program to establish an effective Ever-Normal Granary. Supplies of wheat continued well above all needs, but through the program farmers were able to handle these supplies in an orderly manner.

In the face of record-breaking world supplies which depressed world wheat prices to an all-time low, United States farmers protected domestic wheat prices and wheat income. For example, in August 1938, just before farmers began seedings under the new program, the average United States farm price of wheat was 34 cents under average quotations at Liverpool. One year later, in August 1939, the United States farm price was 3½ cents above the Liverpool price.

Because Liverpool is normally about 30 cents above the domestic farm price, this meant that United States farmers got 30 to 35 cents a bushel more for their wheat than they would have received if their price had been based on the world price.

Domestic prices continued to improve, rising almost 35 cents from August 1939 to April 1940. Following expiration of the 1939 wheat loan and the intensification of the European war, the United States average farm price fell back to 80.7 cents in May 1940 and 67.4 cents in June 1940.

Thus, in the first year of the current A. A. A. wheat program, wheat farmers made substantial progress in improving and stabilizing their income and supplies. They protected their price from the world depression. They used crop insurance to insure their production, and they used the wheat loan to take advantage of the rise in prices.

THE RECORD UNDER THE A. A. A. WHEAT PROGRAM

ACREAGE ADJUSTMENT

A high percentage of wheat farmers complied with their acreage allotments in 1939, and as a result the 1939 seeded acreage was 64,000,000 acres, 20 percent under 1938. An estimated 54,000,000

acres were harvested. Because of this adjustment in 1939 it was possible to increase the national allotment from 55,000,000 acres for 1939 to 62,000,000 acres for 1940.

WHEAT LOAN AND EVER-NORMAL GRANARY

Under the first loan program in the fall of 1938, nearly 73,000 loans were made on more than 85,000,000 bushels, at an average rate of 53 cents per bushel. Of this total collateral, about 65,000,000 bushels were redeemed by borrowers, and loans on about 3,500,000 bushels stored on farms were extended to March 31, 1940. The remainder, approximately 16,500,000 bushels, was turned over to the Commodity Credit Corporation in settlement of the loans.

In 1939, about 237,000 loans were made on about 168,000,000 bushels under loan. The average loan value to farmers was 63.3 cents a bushel.

Developments in the wheat market from the time of harvest to January-April, when much of the wheat was redeemed by farmers, demonstrate the orderly marketing benefits of the loan program.

The average United States farm price of wheat was 55.7 cents a bushel in July 1939, 54.5 cents in August, and 72.7 cents in September. The farm price had gone up to 84.5 cents by January 1940, and was 84.1 cents in February, 85 cents in March, and 88.9 cents in April.

CROP INSURANCE

In 1939 a harvest of wheat was insured on 7,500,000 acres of land through the issuance of nearly 166,000 policies. Indemnities in excess of 10,000,000 bushels were paid on about one-third of the policies.

The number of contracts in effect on the 1940 crop exceeds the 1939 total by more than 125 percent, as nearly 380,000 contracts were approved, insuring the production against all unavoidable hazards on approximately 12,500,000 acres for a guaranteed estimated production of 106,250,000 bushels. The premiums paid by these insured growers were about 14,750,000 bushels.

EXPORT PROGRAM

In 1938-39 export sales of United States wheat and flour totaled approximately 118,054,000 bushels with about 107,000,000 bushels actually exported by June 30, 1939. Of the total sales, about 93,754,000 bushels were assisted through the export program at a cost of about \$25,700,000.

Because of changed conditions, only limited exports were assisted in the 1939-40 marketing year. During the period from July 1, 1939, through June 30, 1940, contracts for the exportation of 35,079,000

bushels of wheat and wheat in the form of flour were made under the export program. Of this total, contracts for the export of about 10,643,000 bushels have been made since December 29, 1939. Export benefit payments since January averaged about 26 cents a bushel.

PROTECTED INCOME

In 1939, farmers who seeded within their wheat allotments earned a parity payment of 11 cents per bushel and a conservation payment of 17 cents, both based on the normal yield of their allotments. In addition they were eligible to place their wheat under loan. The average 1939 loan value to farmers was 63.3 cents. Cooperating wheat farmers, therefore, were assured, on the average, at least 91 cents a bushel on their normal yields. However, a farmer who stored his wheat under loan until April sold his wheat for an average price of 88.9 cents. This, together with the 28-cent A. A. A. payment, totals \$1.17, out of which the farmer paid 3 percent interest on his loan, storage, and other charges.

In the calendar year 1939, cash farm income from wheat, including Government payments, was estimated at \$536,160,000. In 1938 wheat income totaled \$446,500,000 and in 1932 only \$199,800,000. Wheat production was approximately the same in 1939 as in 1932.

Cash income from wheat in 1939, including Government payments, is thus more than double that in 1932.

RECORD WORLD SUPPLIES

The world wheat supply for the year beginning July 1, 1939, was about 5,460,000,000 bushels, which was the largest supply in the world's history. Reflecting these record-breaking supplies, Liverpool prices during August 1939 fell to the lowest levels in more than 350 years.

The record world carry-over of 1,430,000,000 bushels estimated for the year beginning July 1, 1940, is more than twice that of 1938 and one-fifth larger than in July 1939.

The estimated wheat surplus for export or carry-over in the three exporting countries of Canada, Argentina, and Australia on July 1, 1940, was 425,000,000 bushels as compared with 331,000,000 bushels on July 1, 1939, and 119,000,000 bushels on July 1, 1938. Total world exports for the 1939-40 season have been estimated at 565,000,000 bushels, as compared with 607,000,000 bushels for the 1938-39 season.

WHEAT IN 1940

Crop reports on winter wheat seedings and spring wheat intentions indicate a wheat acreage seeded for 1940 of about 64,000,000

acres, which is within the acreage goal of 60,000,000 to 65,000,000 acres set up under the A. A. A. Program.

On July 10, 1940, the domestic wheat supply for 1940-41 was indicated at approximately 1,009,000,000 bushels. This included a production of 729,000,000 bushels, as indicated by the July crop report, and an estimated July 1, 1940, carry-over of 280,000,000 bushels of which about 15,000,000 bushels were held by the Federal Crop Insurance Corporation.

On the basis of supplies of 1,009,000,000 bushels, and prospects that domestic disappearance in 1940-41 may total about 675,000,000 bushels and shipments to our possessions 3,000,000 bushels, the quantity available for export and for carry-over on July 1, 1941, would be about 331,000,000 bushels.

A wheat loan program for the 1940 crop, with loan values to producers which are expected to average slightly higher than under the 1939 program, was announced on May 20.

With a conservation payment of 8.1 cents a bushel (revised rate) and a parity payment of 10 cents a bushel, farmers who cooperate with their 1940 wheat acreage allotments may earn payments totaling slightly more than 18 cents a bushel on the normal yield of their acreage allotments.

With an average loan value of at least 63 cents a bushel and 1940 conservation and parity payments of 18 cents a bushel added, wheat farmers cooperating in the A. A. A. program in 1940 are assured, on the average, of a return of at least 81 cents a bushel at the farm, regardless of market prices.

A national wheat acreage allotment for 1941 of 62,000,000 acres was announced May 14, in accordance with the provisions of the Agricultural Adjustment Act which take into account supplies on hand, the prospective crop, and needs for the next year. This is the same as the 62,000,000 acres in the national allotment for the 1940 crop.